

STOCKBRIDGE AREA EMERGENCY
SERVICES AUTHORITY

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2008

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY

AUTHORITY BOARD

Robert Hannewald
Todd Baker
Paul Risner
Judy Heeney
Gene Ulrey

ATTORNEY

Gentry Law Offices

AUDITORS

Pfeffer, Hanniford & Palka
Certified Public Accountants

TABLE OF CONTENTS

	<u>PAGE NUMBER</u>
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT DISCUSSION AND ANALYSIS	6
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
FUND FINANCIAL STATEMENTS	
Balance Sheet - Governmental Funds	14
Reconciliation of Statement of Net Assets of Governmental Funds to the Balance Sheet	15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
NOTES TO FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	26
SUPPLEMENTARY INFORMATION	
General Fund	
Statement of Revenues and Expenditures - Budget and Actual - by Department	28



PFEFFER ■ HANNIFORD ■ PALKA
Certified Public Accountants

John M. Pfeffer, C.P.A.
Patrick M. Hanniford, C.P.A.
Kenneth J. Palka, C.P.A.

Members:
AICPA Private Practice Companies Section
MACPA

225 E. Grand River - Suite 104
Brighton, Michigan 48116-1575
(810) 229-5550
FAX (810) 229-5578

July 3, 2008

Stockbridge Area Emergency Services Authority
Honorable Board Members
125 South Center Street
P.O. Box 336
Stockbridge, Michigan 49285

INDEPENDENT AUDITORS' REPORT

Honorable Board Members:

We have audited the accompanying financial statements of the Stockbridge Area Emergency Services Authority as of and for the year ended March 31, 2008. These financial statements are the responsibility of the Authority Board. Our responsibility is to express an opinion on these financial statements based on the audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Stockbridge Area Emergency Services Authority, as of March 31, 2008, and the respective changes in financial position, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and other required supplementary information on pages 6 through 8 and page 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Stockbridge Area Emergency Services Authority's basic financial statements. The supplementary information presented for purposes of additional analysis is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants

MANAGEMENT DISCUSSION
AND
ANALYSIS

Within this section of the Stockbridge Area Emergency Services Authority's annual financial report, the Authority's management is providing a narrative discussion and analysis of the financial activities of the Authority for the fiscal year ended March 31, 2008. This narrative discusses and analyzes the activity within the context of the accompanying financial statements and disclosures following this section. The discussion focuses on the Authority's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Authority's basic financial statements. The basic financial statements include government-wide financial statements, fund financial statements, and notes to the financial statements. The Authority also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The Authority's annual reports include two government-wide financial statements. These statements provide both long-term and short-term information about the Authority's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Assets. This is the Authority-wide statement of position presenting information that includes all the Authority's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority as a whole is improving or deteriorating. Evaluation of the overall health of the Authority may extend to various non-financial factors as well.

The second government-wide statement is the Statement of Activities which reports how the Authority's net assets changed during the current fiscal year. The design of this statement is to show the financial reliance of the Authority's distinct activities or functions on the revenues generated by the Authority.

Both government-wide financial statements distinguish governmental activities of the Authority that are intended to recover all or a significant portion of their costs through user fees and charges or by taxes collected. The Authority's financial reporting includes all the funds of the Authority and, additionally, organizations for which the Authority is accountable.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Authority uses funds to ensure and demonstrate compliance with finance-related laws and regulations.

The Authority has one kind of fund:

Governmental funds are reported in the financial statements and encompass essentially the same functions as governmental activities in the government-wide financial statements except with a different focus on the financial activity. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of these resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term. Since the focus of the government-wide financial statements includes a long-term view, a reconciliation of these fund balances has been completed to detail its relation to net assets.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of both the government-wide and fund financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Other supplementary information includes detail by fund for receivables, payables, transfers, and payments within the reporting entity.

Financial Analysis of the Authority as a Whole

The following tables provide a summary of the Authority's financial activities and changes in net assets:

Summary of Net Assets

	Governmental Activities		
	3/31/2008	3/31/2007	Increase (Decrease)
Current and other assets	\$ 493,715	\$ 339,350	\$ 154,365
Capital assets	286,523	230,865	55,658
Total assets	780,238	570,215	210,023
Accounts payable	6,495	21,565	(15,070)
Accrued expenses	14,220	8,788	5,432
Note payable	144,340	51,730	92,610
Total liabilities	165,055	82,083	82,972
Net Assets			
Invested in capital assets, net of related debt	142,183	179,135	(36,952)
Unrestricted	473,000	308,997	164,003
Total net assets	\$ 615,183	\$ 488,132	\$ 127,051

Summary of Changes in Net Assets

	Governmental Activities		
	3/31/2008	3/31/2007	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 315,196	\$ 279,543	\$ 35,653
Operating grants and contributions	2,250	82,249	(79,999)
Capital grants and contributions		204,540	(204,540)
General revenues			
Property taxes	382,033	366,716	15,317
Other	8,553	1,508	7,045
Total revenues	708,032	934,556	(226,524)
Expenses for fire and ambulance services	580,981	446,424	134,557
Increase in net assets	127,051	488,132	(361,081)
Beginning net assets	488,132		488,132
Ending net assets	\$ 615,183	\$ 488,132	\$ 127,051

Changes in Financial Status

The net assets of the Authority increased \$127,051 for the year ended March 31, 2008. However, it will be needed to operate both departments until the next tax collection period of December 2008.

Financial Analysis of the Authority's Funds

The Authority's General Fund had a net change in fund balance from current year operations and transfers totaling \$126,783 to add to its fund balance.

General Fund Budgetary Highlights

The original General Fund budget adopted by the Authority was created prior to the beginning of the fiscal year outlining the Authority's anticipated financial operations. Small amendments were required from the originally adopted budget to reflect economic reality. Expenditures exceeded the budget in two activities.

Capital Asset and Debt Administration

The Authority purchased one new ambulance during the year. The Authority entered into an installment purchase contract with a bank to purchase the ambulance. The ambulance was partially financed with the note for \$100,000. Principal of \$14,780 was paid on all outstanding installment contracts during the year.

Economic Conditions and Future Activities

Future operations and capital outlay purchases will be funded primarily by property taxes collected and charges for ambulance and fire runs.

Contacting the Authority's Financial Management

This report is designed to provide a general overview of the Authority's financial position and comply with finance-related regulations. If you have any further questions about this report or request additional information please contact the Stockbridge Area Emergency Services Authority.

BASIC
FINANCIAL
STATEMENTS

GOVERNMENT - WIDE
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF NET ASSETS
MARCH 31, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$ 380,444	
Property taxes receivable	44,988	
Accounts receivable, net	65,330	
Prepaid expenses	2,953	
Capital assets - net of depreciation	<u>286,523</u>	
Total assets		\$ 780,238

LIABILITIES

LIABILITIES

Accounts payable	4,611	
Accrued expenses	14,220	
Payroll taxes payable	1,884	
Note payable		
Current portion	32,875	
Non-current portion	<u>111,465</u>	
Total liabilities		<u>165,055</u>

NET ASSETS

NET ASSETS

Invested in capital assets, net of related debt	142,183	
Unrestricted	<u>473,000</u>	
Total net assets		<u>\$ 615,183</u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Fire protection	\$ (189,050)	\$ 37,418	\$ 2,250	\$ (149,382)
Ambulance services	(388,975)	277,778		(111,197)
Interest on long-term debt	(2,956)			(2,956)
Total governmental activities	<u>\$ (580,981)</u>	<u>\$ 315,196</u>	<u>\$ 2,250</u>	<u>(263,535)</u>
General Revenues:				
Property taxes				382,033
Unrestricted investment earnings				6,384
Other income				<u>2,169</u>
Total general revenues				<u>390,586</u>
Changes in net assets				127,051
Net assets, April 1, 2007				<u>488,132</u>
Net assets, March 31, 2008				<u>\$ 615,183</u>

The notes are an integral part of the financial statements.

FUND
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2008

	<u>Major Fund</u> <u>General Fund</u>	<u>Non Major</u> <u>Fund</u> <u>Capital Fund</u>	<u>Total</u>
<u>ASSETS</u>			
CURRENT ASSETS			
Cash and cash equivalents	\$ 343,224	\$ 37,220	\$ 380,444
Property taxes receivable	44,988		44,988
Accounts receivable, net	65,330		65,330
Prepaid expenses	2,953		2,953
	<u> </u>	<u> </u>	<u> </u>
Total current assets	<u>\$ 456,495</u>	<u>\$ 37,220</u>	<u>\$ 493,715</u>
 <u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Accounts payable	\$ 4,611	\$	\$ 4,611
Accrued wages	14,220		14,220
Payroll taxes payable	1,884		1,884
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>20,715</u>	<u> </u>	<u>20,715</u>
 FUND BALANCES			
Unreserved			
Designated		37,220	37,220
Undesignated	435,780		435,780
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>435,780</u>	<u>37,220</u>	<u>473,000</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 456,495</u>	<u>\$ 37,220</u>	<u>\$ 493,715</u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF STATEMENT OF NET ASSETS OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
FOR THE YEAR ENDED MARCH 31, 2008

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total fund balance per balance sheet		\$	473,000
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			
Historical cost	\$	1,245,474	
Accumulated depreciation		<u>(958,951)</u>	
Capital assets net of depreciation			286,523
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These include:			
Installment contracts payable			<u>(144,340)</u>
Net assets of governmental activities		\$	<u><u>615,183</u></u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2008

	<u>Major Fund</u> <u>General Fund</u>	<u>Non Major</u> <u>Fund</u> <u>Capital Fund</u>	<u>Total</u>
REVENUES			
Taxes	\$ 382,033	\$	\$ 382,033
Donations	4,513		4,513
Charges for services	315,196		315,196
Interest	6,384		6,384
Grant	2,250		2,250
Miscellaneous	5,046		5,046
	<u>715,422</u>		<u>715,422</u>
Total revenues			
EXPENDITURES			
Current			
Fire protection	150,358		150,358
Ambulance service	365,325		365,325
Capital outlay			
Ambulance service		118,000	118,000
Debt service			
Fire protection	17,736		17,736
	<u>533,419</u>	<u>118,000</u>	<u>651,419</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>182,003</u>	<u>(118,000)</u>	<u>64,003</u>
OTHER FINANCING SOURCES (USES)			
Loan proceeds		100,000	100,000
Transfers in (out)	(55,220)	55,220	
	<u>(55,220)</u>	<u>155,220</u>	<u>100,000</u>
Total other financing sources (uses)			
Net changes in fund balance	126,783	37,220	164,003
FUND BALANCE, APRIL 1, 2007	<u>308,997</u>		<u>308,997</u>
FUND BALANCE, MARCH 31, 2008	<u>\$ 435,780</u>	<u>\$ 37,220</u>	<u>\$ 473,000</u>

The notes are an integral part of the financial statements.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in fund balances - governmental funds	\$ 164,003
--	------------

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their useful lives as depreciation expense. The amount by which depreciation exceeded capital outlay is as follows:

Capital outlay	\$ 118,000	
Depreciation expense	<u>(62,342)</u>	

Total	55,658
-------	--------

Repayment of installment contracts is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Installment contracts	14,780
-----------------------	--------

Proceeds from the issuance of installment contracts is a revenue in the governmental funds, but the proceeds increases the long-term liabilities in the Statement of Net Assets

Debt proceeds from issuance of installment contracts	<u>(107,390)</u>
--	------------------

Change in net assets of governmental activities	<u><u>\$ 127,051</u></u>
---	--------------------------

The notes are an integral part of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Stockbridge Area Emergency Services Authority was organized under Public Act No. 57, of the Public Acts of 1988, as amended. The Stockbridge Area Emergency Services Authority Board is appointed by each member municipality. The member municipalities are Waterloo Township, White Oak Township, Stockbridge Township, Bunkerhill Township. The Authority was created as a joint venture by its members on January 25, 2006 to provide fire protection and emergency medical services (ambulance).

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 39 "The Financial Reporting Entity", these financial statements present all activities of the Authority. There are no component units of the Authority using the criteria established by the GASB for determining the reporting entity.

B. BASIC FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 - *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements.

The government-wide financial statements (Statement of Net Assets and Statement of Activities) report on the Authority as a whole. All activities are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus more on the sustainability of the Authority as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The government-wide Statement of Net Assets reports all financial and capital resources of the Authority. It is displayed in a format of assets less liabilities equals net assets, with the assets and liabilities shown in order of their relative liquidity.

The government-wide Statement of Activities demonstrates the degree to which both direct and indirect expenses of the various functions and programs of the Authority are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Indirect expenses for administrative overhead are allocated among the functions and activities using a full cost allocation approach and are presented separately to enhance comparability of direct expense between governments that allocate direct expenses and those that do not. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or program. Taxes, unrestricted investment income and other revenues not identifiable with particular functions or programs are included as general revenues. The general revenues support the net costs of the functions and programs not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for the governmental funds. The focus of the fund financial statements is on major funds, as defined by GASB Statement No. 34. Although this reporting model sets forth minimum criteria for determination of major funds (a percentage of assets, liabilities, revenues, or expenditures of fund category and of the governmental funds combined), it also gives governments the option of displaying other funds as major funds. Other non-major funds are combined in a single column on the fund financial statements.

The Authority reports the following major governmental fund:

The General Fund accounts for all financial resources of the Authority not accounted for in another fund.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The governmental fund statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. To conform to the modified accrual basis of accounting, certain modifications must be made to the accrual method. These modifications are outlined below:

1. Revenue is recorded when it becomes both measurable and available (received within 60 days after year-end). Revenue considered susceptible to accrual includes: property taxes, sales and use taxes, transient occupancy taxes, licenses, fees and permits, intergovernmental revenues, (including motor vehicle license fees), charges for services, fines, forfeits and penalties, and interest.
2. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.
3. Disbursements for the purchase of capital assets providing future benefits are considered expenditures. Bond proceeds are reported as another financing source.

With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources.

This is the traditional basis of accounting for governmental funds and also is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance, 2) demonstrate the sources and uses of liquid resources, and 3) demonstrate how the Authority's actual revenues and expenditures conform to the annual budget. Since the governmental funds financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement. These reconciliations briefly explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

D. CAPITAL ASSETS

Under GASB Statement No. 34, all capital assets are recorded and depreciated in the government-wide financial statements. No long-term capital assets or depreciation are shown in the governmental funds financial statements.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life greater than one year. Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major improvements are capitalized and depreciated under the straight line method, over the remaining useful lives of the related capital assets.

E. MANAGEMENT ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

F. BUDGETS

An annual operating budget on the modified accrual basis of accounting consistent with accounting principles generally accepted in the United States of America is formally adopted for the General Fund and all Special Revenue funds. The budget can be amended by approval from the Authority's Board. If necessary, budget amendments can be presented to the Board at the regular meetings. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. All annual appropriations lapse at the fiscal year end. Total actual expenditures exceeded budgeted appropriations for the year ending March 31, 2008 in two activities.

G. RISK MANAGEMENT

The Authority is exposed to various risks of loss pertaining to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Authority has purchased commercial insurance for these claims. Settled claims related to the commercial insurance have not exceeded the amount of insurance coverage.

H. ACCRUED COMPENSATED ABSENCES

The Authority has no liability for compensated absences.

I. PROPERTY TAXES

The Authority's property taxes are levied and become a lien on December 1st based on the taxable valuation of property located in the Authority as of the preceding December 31st. These taxes are due on February 14th, with the final collection date of February 28th before they are added to the county delinquent tax rolls.

For the year ended March 31, 2008, the Authority recognized the property taxes levied December 1, 2006 as revenue. The millage rate approved by the voters was 1.100. The period covered by the millage runs for five years (December 2006 through December 2010).

J. RECEIVABLES

Taxes receivable consist of property taxes due to the Authority from property owners. Accounts receivable consists of amounts owed from private individuals or organizations for services rendered including amounts owed for which billings have not been prepared. The allowance method is used to account for bad debt expense.

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 2 - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008
Fire equipment	\$ 801,058	\$	\$	\$ 801,058
Ambulance equipment	326,416	118,000		444,416
Total capital assets	1,127,474	118,000		1,245,474
Accumulated depreciation	(896,609)	(62,342)		(958,951)
Governmental activities capital assets, net	<u>\$ 230,865</u>	<u>\$ 55,658</u>	<u>\$</u>	<u>\$ 286,523</u>

Depreciation expense is charged to the following activities:

Fire Protection Services	\$ 38,692
Emergency Medical Services	23,650
	<u>\$ 62,342</u>

As of March 31, 2008 there was \$144,340 of long-term debt outstanding related to the Authority's capital assets.

NOTE 3 - LONG-TERM DEBT

The following is a summary of long-term debt activity for the Authority.

	Balance 4/1/2007	Additions	Deletions	Balance 3/31/2008	Due within one year
Installment contract Stockbridge Township	\$ 51,730	\$ 7,390	\$ (14,780)	\$ 44,340	\$ 14,780
Installment contract Farmers Bank of Munith		100,000		100,000	18,095
	<u>\$ 51,730</u>	<u>\$ 107,390</u>	<u>\$ (14,780)</u>	<u>\$ 144,340</u>	<u>\$ 32,875</u>

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 3 - LONG-TERM DEBT - continued

The Authority entered into a note payable with Stockbridge Township for the purchase of a ladder truck on April 1, 2006. Payments on the note are due annually each March. Interest is charged at 5.00% over the term of the loan. The note is scheduled to mature on March 1, 2011.

The Authority entered into a note payable with Farmers State Bank of Munith to purchase an ambulance on August 8, 2007. Payments on the note are due annually each August. Interest is charged at 5.00% over the term of the loan. The note is scheduled to mature on August 8, 2012.

Both installment contracts are permitted without State Treasury approval in accordance with Public Act 99 of 1933.

The following schedule details the future long-term debt obligations of the Authority:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
3/31/2009	\$ 32,875	\$ 7,223	\$ 40,098
3/31/2010	33,781	5,578	39,359
3/31/2011	34,732	3,888	38,620
3/31/2012	20,951	2,150	23,101
3/31/2013	22,001	1,100	23,101
	<u>\$ 144,340</u>	<u>\$ 19,939</u>	<u>\$ 164,279</u>

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Authority to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers; acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Authority deposits are in accordance with statutory authority.

The Authority's deposits are exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to the Authority.

As of March 31, 2008, deposits in banks totaled \$ 404,290 which was exposed to custodial credit risk as follows:

	<u>Bank Balance</u>
Insured by FDIC	\$ 100,000
Uninsured and uncollateralized	<u>304,290</u>
	<u>\$ 404,290</u>

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

NOTE 4 - DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS - continued

The Authority has formally adopted deposit and investment policies that limit the Authority's allowable deposits or investments and address the specific types of risk to which the government is exposed.

NOTE 5 - RELATED PARTY LEASE

The Authority is the lessor in a lease agreement for equipment owned by Stockbridge Township, a member of the Authority. The lease calls for annual payments from the Authority of \$1. The lease term is year to year beginning on April 1 and ending on March 31.

The Authority was formed to provide fire protection and emergency medical services to area Townships, including Stockbridge Township. As a result, the Stockbridge Township Fire Department is no longer providing fire protection services. The capital assets under lease to the Authority have been added to the capital asset accounts of the Authority net of accumulated depreciation at April 1, 2006 and are being depreciated over their estimated useful lives beginning from their original acquisition dates.

NOTE 6 - INTERFUND TRANSFERS

Interfund transfers for the year ended March 31, 2008 were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>	<u>Amount</u>
Capital Fund	General Fund	Save funds for future capital asset needs	<u>\$ 55,220</u>

NOTE 7 - FUND BALANCE DESIGNATION

Funds are transferred annually from the General Fund to the Capital Fund. The Capital Fund was created to provide a place to save funds for future capital expansion and replacement needs. These funds have therefore been designated by the Board of Trustees to be used for such purpose.

REQUIRED
SUPPLEMENTARY
INFORMATION

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2008

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES				
Property taxes	\$ 360,783	\$ 360,783	\$ 382,033	\$ 21,250
Ambulance runs	235,000	235,000	253,754	18,754
Fire runs	40,500	40,500	37,418	(3,082)
Subscriptions	25,000	25,000	24,024	(976)
Donations	1,250	1,250	4,513	3,263
Miscellaneous	3,000	3,000	5,046	2,046
Grants			2,250	2,250
Interest	150	150	6,384	6,234
Total revenues	665,683	665,683	715,422	49,739
EXPENDITURES				
Personnel	353,621	353,621	325,448	28,173
Equipment	41,600	41,600	39,348	2,252
Supplies	30,870	30,870	32,674	(1,804)
Insurance	39,937	39,937	35,735	4,202
Utilities	17,100	17,100	14,663	2,437
Contracted service	69,450	69,450	57,423	12,027
Debt service	14,780	14,780	17,736	(2,956)
Office and general administrative	13,105	13,105	10,392	2,713
Total expenditures	580,463	580,463	533,419	47,044
Excess of revenues over expenditures	85,220	85,220	182,003	96,783
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(55,220)	(55,220)	(55,220)	
Net changes in fund balance	30,000	30,000	126,783	96,783
FUND BALANCE, APRIL 1, 2007	308,997	308,997	308,997	
FUND BALANCE, MARCH 31, 2008	\$ 338,997	\$ 338,997	\$ 435,780	\$ 96,783

SUPPLEMENTARY
INFORMATION

STOCKBRIDGE AREA EMERGENCY SERVICES AUTHORITY
GENERAL FUND
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL - BY DEPARTMENT
FOR THE YEAR ENDED MARCH 31, 2008

	Fire		Variance
	Budget	Actual	Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 205,183	\$ 174,220	\$ (30,963)
Ambulance runs			
Fire runs	40,500	37,418	(3,082)
Subscriptions			
Donations		1,142	1,142
Miscellaneous		318	318
Grants		2,250	2,250
Interest		103	103
Total revenues	<u>245,683</u>	<u>215,451</u>	<u>(30,232)</u>
EXPENDITURES AND TRANSFERS OUT			
Personnel	63,971	40,632	23,339
Equipment	20,500	22,029	(1,529)
Supplies	8,720	10,331	(1,611)
Insurance	21,787	20,324	1,463
Utilities	9,350	8,345	1,005
Contracted services	59,350	48,275	11,075
Debt service	14,780	17,736	(2,956)
Office and general administration	2,005	686	1,319
Transfer to reserves	30,220	30,220	
Total expenditures and transfers	<u>230,683</u>	<u>198,578</u>	<u>32,105</u>
Net changes in fund balance	<u>\$ 15,000</u>	<u>\$ 16,873</u>	<u>\$ 1,873</u>

Ambulance			General			Total		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
\$ 155,600	\$ 109,500	(46,100)	\$	\$ 98,313	98,313	\$ 360,783	\$ 382,033	\$ 21,250
235,000	253,754	18,754				235,000	253,754	18,754
						40,500	37,418	(3,082)
25,000	24,024	(976)				25,000	24,024	(976)
1,250	3,371	2,121				1,250	4,513	3,263
3,000	4,728	1,728				3,000	5,046	2,046
							2,250	2,250
150	165	15		6,116	6,116	150	6,384	6,234
420,000	395,542	(24,458)		104,429	104,429	665,683	715,422	49,739
289,650	284,816	4,834				353,621	325,448	28,173
21,100	17,319	3,781				41,600	39,348	2,252
22,150	22,343	(193)				30,870	32,674	(1,804)
18,150	15,411	2,739				39,937	35,735	4,202
7,750	6,318	1,432				17,100	14,663	2,437
10,100	9,148	952				69,450	57,423	12,027
						14,780	17,736	(2,956)
11,100	9,706	1,394				13,105	10,392	2,713
25,000	25,000					55,220	55,220	
405,000	390,061	14,939				635,683	588,639	47,044
\$ 15,000	\$ 5,481	\$ (9,519)	\$	\$ 104,429	\$ 104,429	\$ 30,000	\$ 126,783	\$ 96,783

July 3, 2008

Stockbridge Area Emergency Services Authority (S.A.E.S.A.)
Honorable Board Members
125 S. Center Street
P O Box 336
Stockbridge, MI 49285

Dear Honorable Board Members:

During our audit of the Stockbridge Area Emergency Services Authority (SAESA) we came across various matters that we would like to discuss with you as part of our audit presentation for the year ending March 31, 2008.

The matters which we would like to discuss with you are as follows:

1. There is a new auditing standard (SAS #112) which we are required to follow as your auditing firm. This new standard relates to more formal communications by us to you regarding significant deficiencies in your internal controls and accounting procedures.

There are certain issues (deficiencies) which were previously considered general comments but under the new standard are now considered significant deficiencies.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

We consider the following to be material weaknesses of the Authority.

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles. It should be noted that these journal entries were related to the full-accrual presentation of the government-wide statements (converting fund financial statements to full accrual statements).
- The Authority has one person maintaining the accounting records for the Ambulance Department, performing all payroll functions, reconciling the bank accounts for the Ambulance Department's checking account, payroll account for the Fire and Ambulance Departments, savings account for Fire and Ambulance and Certificates of Deposit for Fire and Ambulance. This person also has access to transferring and disbursing monies from most aforementioned bank depositories. We consider this a lack of segregation of duties.

As you are aware we have previously discussed the above weaknesses with you. The following is your response:

Response by Management

We understand that you must follow the aforementioned auditing standard to complete the audit in accordance with Generally Accepted Auditing Standards as applicable to the audit of the Authority.

In regards to point number one (1) of the above material weaknesses, we prefer that you as our auditing firm continue to make the applicable journal entries to convert the fund financial statements to full accrual statements as required by GASB 34. We believe the costs to circumvent this comment would outweigh the benefits to the Authority. Therefore, we completely understand the comment and request that Pfeffer, Hanniford & Palka, CPA's continue to make the conversion journal entries in the future.

In regards to point number two (2) of the above material weaknesses, we understand that one person is conducting various overlapping accounting functions and there is clearly a lack of segregation of duties. However, as you know we are a very small organization and the costs to circumvent this problem outweigh the benefit of improved controls. Until the Authority can afford to hire additional personnel we can not change this practice.

Other Matters

2. Currently the accounting system of the Authority is not centralized. As mentioned earlier the Director for the Ambulance Department does the accounting for Ambulance and all payroll including the Fire Department. The Fire Chief posts the fire activity (except payroll) to a separate accounting system. At the end of each month the Ambulance Director consolidates the Ambulance and Fire Departments' accounts to combine all accounts for the monthly reports which go to you as Board Members.

We are finding that this practice is becoming cumbersome when it comes to reconciling accounts on the balance sheet. The inter-balancing account between the Fire and Ambulance accounting systems should balance to net zero. We spent a great deal of time this year to reconcile between activities.

There is a lot of extra time spent double entering and combining both systems.

We suggest all accounting be maintained on one system. We believe this would help save time and make the overall monthly reporting more efficient with less chance of errors.

As you have requested, we have put together some flow charts as to how we believe the information should flow under a centralized accounting system.

3. In reviewing bank reconciliations we found an outstanding check over six months old for \$664. The check should be investigated and resolved.
4. We reviewed the withholdings and payments related to the Authority's Section 457B Deferral Plan. We found adequate documentation was not maintained on a monthly basis to show payments reconciled with withholdings on an individual employee basis. We have discussed this with the accountant and a monthly statement will be filed and maintained showing individual amounts per employee adding up to the total payment.

5. We noted all mail including checks written to the Authority come to the ambulance office. The checks written for fire runs and other fire related activity are copied and the originals go to the Fire Department. The Fire Department makes the deposit for those related checks. To help reduce chances of lost checks and (or) errors we suggest a change in this practice.

We suggest all checks received be immediately stamped "For Deposit Only Account #". The checks should be copied and deposited. Extra copies of checks for fire runs and related fire activities should then be given to the Fire Department for their records.

6. We noted the Authority Board does not have a policy regarding adjustments and write-offs of Fire and Ambulance billings. It appears the Board does not know what those amounts are during the year. The Fire Chief and Ambulance Director appear to have sole discretion regarding this whole area of billings for services.

We suggest the Board compile a policy for adjustments and write-offs of billings. Each month the Board should be given a report which reconciles with the beginning and ending receivable amounts for Fire and Ambulance.

This letter does not affect our report dated July 3, 2008 on the financial statements of the Stockbridge Area Emergency Services Authority (SAESA).

We will review the status of these matters during our next audit engagement. We have already discussed these with various Authority personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Trustees and management of the Stockbridge Area Emergency Services Authority (SAESA) and is not intended to be and should not be used by anyone other than the specified parties.

Pfeffer, Hanniford & Palka, P.C.

PFEFFER, HANNIFORD & PALKA
Certified Public Accountants